

Message Text

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ACTION EA-12

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TAGS: EMIN, EINV, ENRG, AS, BEXP
SUBJECT: PRIME MINISTER FRASER'S COMMENTS ON MINERALS AND ENERGY

REF: CANBERRA 03821 (NOTAL)

BEGIN UNCLASSIFIED

1. SUMMARY: RECENTLY, AT JOINT MEETING OF AUSTRALASIAN INSTITUTE
OF MINING AND METALLURGY (AIMM) AND AMERICAN INSTITUTE OF MINING,
METALLURGICAL AND PETROLEUM ENGINEERS (AIME), PRIME MINISTER
FRASER GAVE AN ADDRESS ON GENERAL AUSTRALIAN ECONOMIC POLICY, WHICH
INCLUDED
AMONG OTHER THINGS, COMMENTS ON THE MINING SECTOR. (OTHER
AUSTRALIAN
DOMESTIC AND INTERNATIONAL ECONOMIC POLICY ISSUES ARE REPORTED
IN REFTEL).

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FRASER'S COMMENTS ON THE MINING AND ENERGY SECTOR OF AUSTRALIA
DWELLED ON THE FAVORABLE MINING INVESTMENT AND DEVELOPMENT CLIMATE
EXISTING IN AUSTRALIA BECAUSE OF STABLE GOVERNMENT AND INVESTMENT
POLICIES.

END SUMMARY.

2. FRASER STATED THE GOVERNMENT'S COMMITMENT TO MAINTAINING A HEALTHY MINING INDUSTRY AND AS EVIDENCE OF THIS CITED THE RECENT DEVELOPMENTS IN THE MINING AND ENERGY SECTOR:

--NORTH-WEST SHELF VENTURERS ARE SPENDING DOLS A 50 MILLION ON A FEASIBILITY STUDY;

--EXPLORATION EXPENDITURE FOR MINERALS OTHER THAN PETROLEUM INCREASED BY 34 PER CENT IN 1976-77 TO DOLS A 134 MILLION

--PETROLEUM EXPLORATION INCREASED DRAMATICALLY LAST YEAR ALMOST DOUBLING TO DOLS A 94 MILLION, WITH THIS YEAR'S PROJECTED SPENDING OF DOLS A 125 MILLION.

THESE DEVELOPMENTS ARE THE PRODUCT OF GOA POLICIES, ACCORDING TO THE PRIME MINISTER, WITH THE RESULT BEING THE CREATION OF HEALTHIER INVESTMENT ENVIRONMENT IN WHICH BOTH DOMESTIC AND FOREIGN INVESTORS "WILL FIND IT PROFITABLE TO INVEST IN AUSTRALIA". HE SAID THAT MINERAL DEVELOPMENTS DEPEND ON STABILITY OF COSTS AND INVESTMENT CONDITIONS IN AUSTRALIA AND THE AVAILABILITY OF PROFITABLE MARKETS OVERSEAS.

3. AUSTRALIA WELCOMES FOREIGN INVESTMENT AND THE FOREIGN INVESTMENT GUIDELINES ARE ADMINISTERED WITH FLEXIBILITY. EACH PROPOSAL IS CONSIDERED ON ITS MERTIS. THE AIM, THE PRIME MINISTER SAID, IS TO, WHENEVER POSSIBLE, PRESERVE 50 PERCENT AUSTRALIAN EQUITY LIMITED OFFICIAL USE

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IN MINING PROJECTS. BUT, FRASER POINTED OUT, "I WANT TO MAKE THE POINT CLEAR -- IF IT IS DEMONSTRATED THAT THIS OBJECTIVE CANNOT BE REASONABLY ACHIEVED, PROJECTS WILL NOT BE HELD UP".

4. FRASER NOTED THAT THE MINING ENERGY HAS BENEFITED FROM A WIDE RANGE OF TAX AND DUTY CONCESSIONS. FAST TAX WRITE-OFFS OF CAPITAL EXPENDITURE; EXPLORATION INCENTIVES; DEPRECIATION ALLOWANCES EXTENDED; AND THE COAL EXPORT LEVY IS BEING PHASED OUT. A REALISTIC ENERGY PRICING POLICY HAS BEEN INTROUDCED ALONG WITH GOVERNMENT CREATION OF MORE SIMPLIFIED PROCEDURES APPLYING TO MINERAL EXPORT CONTROLS.

5. AS TO THE FUTURE, FRASER STATED THAT "I AM CONFICENT THAT AUSTRALIA IS IN THE FOREFRONT OF THOSE FEW COUNTRIES IN THE WORLD WHERE OVERSEAS BUSINESSMEN CAN INVEST THEIR CAPITAL AND USE THEIR TECHNOLOGY AND MANAGEMENT SKILLS, WITH PROFIT AND CONFIDENCE." WE ARE INTERESTED IN GREATER PROCESSING OF AUSTRALIAN RAW MATERIALS IN AUSTRALIA. THERE ALSO ARE SOUND ECONOMIC REASONS WHY MORE ENERGY-INTENSIVE MINERAL PROCESSING SHOULD BE CARRIED OUT IN AUSTRALIA. IN HIS CONCLUSION TO HIS COMMENTS ON THE MINERALS AND ENERGY SECTOR, FRASER SAID THAT "FOR THIS PROMISE OF PROSPERITY TO BE FULLY REALIZED, THERE IS A NEED FOR GROWTH IN THE WORLD

ECONOMY AND AN EXPANSION IN WORLD MARKETS."

6. COMMENT: EVEN THOUGH THE PRIME MINISTER EXUDED OPTIMISM ABOUT THE FUTURE FOR MINERALS AND ENERGY PROJECTS IN AUSTRALIA WHILE ENUMERATING THE VARIOUS ACHIEVEMENTS IN THIS SECTOR SINCE DECEMBER 1975, IT IS WORTH NOOPNG THAT:

--THE FIRST NEW MINE SINCE 1975, THE WOODLAWN COPPER, LEAD, ZINC, AND SILVER MINE, IS ABOUT TO BEGIN PRODUCTION;

--SEVERAL COAL PROJECTS ARE IN THE DEVELOPMENTAL STAGE, BUT LABOR PROBLEMS AND DECLINING MARKETS HAVE SLOWED DOWN THESE PROJECTS;

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--SOME NICKEL, COPPER AND PHOSPHATE MINES HAVE CLOSED OR ARE SCHEDULED TO CLOSE BECAUSE OF WORSENING WORLD MARKETS;

--DEPRESSED COAL AND IRON ORE MARKETS ADVERSELY AFFECTING AUSTRALIAN PRODUCERS; END UNCLASSIFIED

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--DILLINGHAM'S CLAIM FOR GOA COMPENSATION FOR CLOSING MINERAL SANDS MINE STILL CLOUDS THE OTHERWISE FAVORABLE INVESTMENT CLIMATE;

--NORTH WEST SHELF PROJECT IS A LONG WAY FROM COMING ON STREAM;

--BUREAUCRATIC AND ABORIGINAL LAND RIGHTS, AS WELL AS LABOR UNION THREAT NOT TO AGREE TO URANIUM MINING, CONTINUE TO DELAY GOA APPROVAL FOR THE MINING OF URANIUM FROM THE NORTHERN TERRITORY. IN SPITE OF ALL THESE TEMPERING FACTORS, AUSTRALIA IS STILL PROBABLY THE BEST GAME IN TOWN WHEN IT COMES TO SECURITY OF INVESTMENT IN THE MINING AND ENERGY SECTOR. WHEN WORLD MINERAL MARKETS IMPROVE, AUSTRALIA WILL AGAIN RIDE UP ON THE BOOM.
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